



Rating Action

Lahore : 31-May-2016

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PACRA ASSIGNS PRELIMINARY RATING TO PROPOSED TFC OF JAHANGIR SIDDIQUI & CO. LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a preliminary rating of "AA+" (Double A plus) to the proposed secured privately placed 9th TFC of PKR 1000 mln (inclusive of a green shoe option of PKR 300 mln). Jahangir Siddiqui & Co. Limited (JSCL) plans to issue the said instrument shortly. The rating denotes a very low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The instrument rating reflects JSCL's strong risk absorption capacity emanating from a sizeable investment portfolio mainly financed through equity. These are pre-dominantly strategic in nature; notably most are listed with adequate liquidity. During the year, the company generated sizeable funds through a right issue and offloading some of its investments. The proceeds were utilized to meet the commitments and enhance the shareholding in the financial sector investments. The company has also build a non-strategic book of investments having a market value of ~PKR 2 bln alongwith sizeable cash placements. This includes a sizeable investment in a technology sector company. JSCL's financial profile continues to benefit from the ensuing dividend stream, though currently low, which is expected to increase with improving underlying entities. The oversight framework for the strategic investments is improving. The company plans to build exposure in the power sector. The company's sizeable book of investments engenders strong ability to raise requisite funds. JSCL plans to issue a debt instrument. The rating of the instrument draws comfort from the security structure.

The rating is dependent on the sustained positioning of the company and compliance with major covenants of the instrument.

About the TFC

JSCL to date, has issued eight TFCs out of these seven have been fully redeemed in a timely manner. The management has exercised call option to redeem 7th TFC during Apr-16. To fund its future investment opportunities, JSCL plans to issue 9th privately placed TFC of PKR 1,000 mln (inclusive of a green shoe option of PKR 300 mln) for a tenor of 5 years. The issue will have semi-annual coupon payments (6 months KIBOR + 1.65% p.a) after 6 months from the issue date. Moreover, redemption of the TFCs will be in eight equal semiannual installments commencing from the 18th month after issue date. The issue has been secured by pledge of listed securities with margin of 35%.

About the company:

JSCL, listed on Pakistan Stock Exchange Limited (PSX) and established in 1991, is the holding company for Jahangir Siddiqui (JS) group's businesses. The majority shareholding (43%) in JSCL is held by Mr. Jahangir Siddiqui, followed by SAJ Capital (6%). JSCL's overall control vests in its eight members BoD (including the CEO). The board includes two JS family members along with two other group nominees, and two independent directors. The remaining one member represents minority shareholders.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

Applicable Criteria and Related Research

- Holding Companies Rating Methodology
- Debt Instrument Rating Methodology

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